

On the day before Valentine's Day, a recent [study](#) published in *JAMA Internal Medicine* provided some love for Accountable Care Organizations (ACOs). Researchers from the Harvard Medical School found that ACO participation in the Medicare Shared Savings Program (MSSP) was associated with a nine percent reduction in [post-acute care](#) spending. The cost savings were attributed to reductions in discharges to facilities, length of facility stays and acute inpatient care. These findings both reinforce the importance of post-acute care spending for the success of ACOs, as well as provide evidence that ACOs – a key value-based care initiative – can reduce Medicare costs and improve quality of care. The study also serves as a reminder that ACO success is dependent on the long game. Longer ACO participation is linked to greater post-acute care savings – which suggests that we are just beginning to peel back the curtain on the full range of possibilities for ACOs. These findings are also largely consistent with [naviHealth's](#) experience in managing and optimizing the care transitions process. Read below for [naviHealth Essential Insights'](#) key takeaways from the study.

## **The (Somewhat Well-Known) Secret to ACO Success**

The study used Medicare claims data from January 1, 2009 to December 31, 2014 to estimate changes in post-acute care use and spending associated with provider participation as ACOs in MSSP. The researchers compared beneficiaries served by ACOs with beneficiaries in ACO-service areas that were not served by ACO participants before and after entrance into MSSP. Changes were examined separately for each cohort of ACOs entering MSSP in 2012, 2013 and 2014 to account for savings that differed by year of entry. The researchers also examined three quality measures to detect any deterioration or change in quality of care – annual mortality, 30-day readmissions and use of highly rated skilled nursing facilities (SNFs). The random 20 percent sample of beneficiaries included over 25 million patient-years, more than 8 million hospital admissions and nearly 1.6 million stays in skilled nursing facilities (SNFs).

**The overwhelming conclusion of the study - for an ACO to be successful, it must focus on reining in post-acute care costs.** The 2012 cohort of 114 ACOs saw a significant reduction in post-acute care spending, saving \$106 per beneficiary on post-acute care facilities, as well as \$77 per beneficiary on inpatient spending and \$16 per beneficiary for home health in the outpatient setting. Participation was also associated with a significant reduction in SNF spending, saving \$393 per stay, and a decrease in the length of a SNF stay by 0.6 days. A 0.60 percent reduction in the proportion discharged to post-acute care facilities also contributed to increased savings. For ACOs that joined in 2013, participation was associated with a significant reduction of \$27 per beneficiary in SNF

spending, though the study found no significant change in spending for the 2014 cohort. **Even with these major costs savings, there was no ostensible difference in the quality of care for ACO patients, suggesting that ACOs can deliver on both cost and quality.**

Spending on post-acute care in Medicare has more than doubled since 2001. The proliferation of ACOs across the country is evidence that insurers see promise in the ability of ACOs to control costs. It is also evidence that ACOs will be here for the long haul. **This study reinforces the principle that the success of ACOs is inextricably dependent on post-acute care spending. ACOs must continue to hone in on and improve upon post-acute care to be successful.** With more than 475 Medicare ACOs across the country serving more than 9 million Medicare beneficiaries in MSSP, there are huge opportunities for savings.

## **How to Capitalize on Post-Acute Care Savings**

This study makes clear that ACOs must focus on the post-acute sector when seeking increased savings. But what can ACOs do to capitalize on potential post-acute care opportunities?

The researchers point out that a major contributing factor to the rapid growth in post-acute care spending is the increased use of SNFs. SNFs are the most common type of post-acute facility utilized, and much of the savings in the post-acute care sector was driven by reducing spending within SNFs. According to the study, the reductions in spending on SNF care were due in part to lower use of institutional care, in part to lower rates of discharge to SNFs and in part to shorter lengths of SNF stays.

naviHealth's experience aligns with these results. There are significant opportunities to reduce costs and improve quality within SNF care. For example, the current average Medicare fee-for-service length of stay within SNFs is 28 days. Using naviHealth's clinical decision support assessments, scalable technologies and advisory solutions, our clients often see 20 percent reductions in SNF length of stay, with up to 40 percent improvement in some cases. Decreasing SNF length of stay will have a huge impact on lowering costs, along with the capability to positively effect quality of care. **While the reduction in SNF spending should continue to be top priority as an opportunity to save within post-acute care, we feel that the lessons learned from SNFs can be carried over and transferred to other post-acute care settings.**

One of those areas is readmissions. While the study did not find an association between

participation in ACOs and significant changes in 30-days readmission rates, naviHealth sees great opportunities to reduce readmissions for ACOs. Readmission rates create additional inpatient acute care costs and can contribute to additional post-acute care stays, creating a compounding increase to overall costs. The current average readmission rate from SNFs is approximately 20 percent across all patients and all conditions. With our partner health systems, naviHealth has helped to reduce readmission rates by up to 33 percent. **These levels of improvement illustrate opportunities for ACOs to continue to capitalize savings by improving upon readmission rates within post-acute care.**

## **From Start to Savings - The Waiting Game**

As with all good things in life, achieving success as an ACO will undoubtedly take time. As evidenced by the study's results, post-acute care savings increased with longer MSSP participation. Not only did the 2012 cohort achieve much greater costs savings than both the 2013 and 2014 cohorts, it is also worthy to note that these later cohorts saw substantially smaller savings in SNF during their first year than their second. Even the researchers acknowledge that success in an ACO may begin as a waiting game: "Consistent with changes in total Medicare spending associated with participation in the MSSP, reductions in SNF spending grew with longer ACO participation, and later entrants required more time to achieve reductions than did early entrants."

When starting an ACO, there are many factors to consider - providers will likely need to establish or alter current systems, re-organize priorities and re-evaluate proper utilization of resources, as well as potentially partner with other organizations. There are many kinks to work through, and understanding that savings may take time to materialize is imperative to ensuring an ACO's sustainability. **To more quickly capitalize on the savings opportunities, naviHealth recommends that ACOs focus on improving the post-acute care sector as early as possible through investments in key clinical decision support tools and technologies.**

This study reinforces that post-acute care is central to achieving positive results in value-based care initiatives, such as ACOs. Opportunities for improvement transcend all areas of the post-acute care sector, but they are not automatic. They require careful evaluation of the technologies, tools and expertise need for success.